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Message Text

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MMO-01 /096 W
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R 200719Z JUL 78
FM AMEMBASSY KUALA LUMPUR
TO SECSTATE WASHDC 6514
INFO SECDEF WASHDC
JCS WASHDC
CINCPAC HONOLULU HI

S E C R E T SECTION 1 OF 3 KUALA LUMPUR 7386

STATE ALSO FOR ACDA

CINCPAC FOR POLAD

E.O.11652: GDS
TAGS: MASS, MPOL, XX, MY
SUBJECT: SECURITY ASSISTANCE REPORTING REQUIREMENTS: INTEGRATED ASSESSMENT OF SECURITY ASSISTANCE FOR MALAYSIA: PART I

REF: A) STATE 167901 DTG 010215Z JUL 78, B) STATE 168320 DTG 031928Z JUL 78, C) KUALA LUMPUR 0098 DTG 050658Z JAN 78, D) 77 KUALA LUMPUR 9551 DTG 160850Z DEC 77, E) 77 KUALA LUMPUR 4486 DTG 150720Z JUL 77, F) KUALA LUMPUR A-013, 02/13/78 (NOTAL)

1. INTRODUCTION: THIS MESSAGE RESPONDS TO SECURITY ASSISTANCE REPORTING REQUIREMENTS OUTLINED PARA 3.A (1) - (12) REF A. REPORTING REQUIREMENT OUTLINED PARA 3.A (13) RE COUNTRY PROGRAM LEVELS IS BEING SENT SEPTEL. REF F ALSO PROVIDES RELEVANT BACKGROUND ON U.S. GOALS AND OBJECTIVES IN MALAYSIA. THIS DOCUMENT IS PREPARED AND SUBMITTED ON A CLASSIFIED
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BASIS. IF IT IS TO BE DECLASSIFIED IN PART OR WHOLE, WE WISH TO BE CONSULTED BEFOREHAND.

2. US INTERESTS:
(A) STRATEGIC. MALAYSIA IS LOCATED ON ONE OF THE WORLD'S IMPORTANT SEALINES OF COMMUNICATIONS. MALAYSIA COULD CONCEIVABLY PROVIDE RIGHTS, AUTHORIZATION,, AND FACILITY

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ARRANGEMENTS TO THE UNITED STATES, BUT THIS IS NOT LIKELY IN
THE FORESEEABLE FUTURE IN VIEW OF THE NATION'S CURRENT NON-
ALIGNED FOREIGN POLICY. MALAYSIA'S VIEWS ALONG WITH
THOSE OF INDONESIA AND SINGAPORE REGARDING RIGHTS OF FREE
PASSAGE THROUGH THE STRAITS OF MALACCA ARE IMPORTANT TO
MARITIME STATES SUCH AS THE U.S., JAPAN AND THE USSR.
MALAYSIA'S SOUTHERN NEIGHBORS, SINGAPORE AND INDONESIA,
PERCEIVE THEIR SECURITY INTERESTS AS CLOSELY LINKED TO
DEVELOPMENTS IN MALAYSIA, ESPECIALLY THE GOVERNMENT OF MALAYSIA'S
SUCCESS IN CONTAINING ITS "COMMUNIST TERRORIST" (CT) IN-
SURGENCY. (B) ECONOMIC. MALAYSIA IS AN IMPORTANT PRODUCER OF
PRIMARY PRODUCTS, BEING THE WORLD'S LEADING PRODUCER OF TIN,
NATURAL RUBBER AND PALM OIL AND THE LEADING SUPPLIER TO
THE US OF THESE COMMODITIES. IT IS ALSO A MAJOR EXPORTER OF
TROPICAL HARDWOODS. MALAYSIA IS A NET EXPORTER OF PETROLEUM
(ABOUT 110,000 B/D) AND CURRENTLY PRODUCES 210,000 BARRELS
PER DAY, WITH NEARLY 100,000 AVAILABLE FOR EXPORT. PRODUCTION
IS EXPECTED TO REACH 250,000 B/P/D BY THE END O THE YEAR.
THE COUNTRY ALSO HAS SIGNIFICANT RESERVES OF NATURAL GAS
AND THE WAY HAS RECENTLY BEEN CLEARED FOR THE BINTULU LIQUIFIED
NATURAL GAS PLANT WHICH WILL PRODUCE 6.4 MILLION TONS OF LNG
ANNUALLY (THE EQUIVALENT OF 140,000 B/P/D OF CRUDE PETROLEUM).
FOR EXPORT TO JAPAN AND, PERHAPS, THE U.S. IN 1977 MALAYSIAN
EXPORTS TO THE US EXCEEDED $1 BILLION AND THE US IN TURN SOLD
MALAYSIA OVER $600 MILLION WORTH OF PRODUCTS. US DIRECT
INVESTMENT IN MALAYSIA IS NOW ESTIMATED TO EXCEED ONE BILLION
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DOLLARS.
(C) POLITICAL. MALAYSIA IS A NON-ALIGNED, NON- COMMUNIST
COUNTRY WHICH FOLLOWS MODERATE DOMESTIC AND FOREIGN POLICIES.
ITS FUNCTIONING PARLIAMENTARY SYSTEM OF GOVERNMENT AND EXPANDING
ECONOMY COMPARE VERY FAVORABLY WITH OTHER DEVELOPING COUNTRIES IN
THE REGION AND ELSEWHERE. MALAYSIA DOES NOT SEEK TO COMPETE
MILITARILY WITH ITS IMMEDIATE NEIGHBORS, WITH ALL OF WHICH
IT HAS FRIENDLY RELATIONS. IT HAS BEEN IN THE FOREFRONT OF
AN EFFORT TO DEVELOP, THROUGH THE ASSOCIATION OF SOUTHEAST
ASIAN NATIONS (ASEAN), REGIONAL COOPERATION AND STABILITY. THIS
EFFORT HAS INCLUDED, DESPITE MALAYSIA'S LONGSTANDING DOMESTIC
COMMUNIST INSURGENCY, CONCILIATORY MOVES TOWARD VIETNAM AND
THE OTHER COMMUNIST COUNTRIES OF INDOCHINA IN AN ATTEMPT TO
ATTENUATE ANY AGGRESSIVE IMPLUSES THESE COUNTRIES MIGHT HAVE.
AMERICAN INTERESTS IN MALAYSIA AND THE ASEAN REGION ARE SERVED
BY THESE EFFORTS OF MALAYSIA AND ITS ASEAN PARTNERS TO PROMOTE
REGIONAL STABILITY, TO PRESERVE THE NON-COMMUNIST ORIENTATION
OF THE REGION, AND TO DEVELOP THEIR ECONOMIES.

3. SPECIFIC SECURITY ASSISTANCE OBJECTIVES. STRONG
EVIDENCE OF CONTINUED AMERICAN INTEREST AND INVOLVEMENT IN
THE REGION IS OF GREAT IMPORTANCE TO MALAYSIA AND ITS PARTNERS.

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MOST OF THSI INTEREST AND INVOLVEMENT CAN BE, AND IS BEING,
SHOWN IN THE ECONOMIC AREA. BUT OUR SECURITY ASSISTANCE PROGRAM
CONSISTING OFMS CREDIT PURCHASES AND IMET IS AN IMPORTANT SUPPORTIVE
ELEMENT OF THESE INTERESTS, AS WELL AS IMPORTANT EVIDENCE OF
THE ADMINISTRATION'S DETERMINATION TO REMAIN A SIGNIFICANT
INFLUENCE IN EAST ASIA AND THE PACIFIC. FOLLOWING FROM
THIS, SPECIFIC US SECURITY ASSISTANCE OBJECTIVES ARE TO:
(A) PROVIDE TANIGBLE EVIDENCE OF SUPPORT FOR A STABLE,

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INFO SECDEF WASHDC
JCS WASHDC
CINCPAC HONOLULU HI

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STATE ALSO FOR ACDA; CINCPAC FOR POLAD

MODERATE, AND DEMOCRATIC NON-COMMUNIST MALAYSIAN GOVERNMENT;

(B) ASSIST IN THE DEVELOPMENT AND MAINTENANCE OF FORCES
KCAPABLE OF ASSURING INTERNAL SECURITY AND STABILITY, AND IN
FACILITATING THE SALE OF US MILITARY EQUIPMENT, IN THE CONTEXT
OF OUR POLICY REGARDING CONVENTIONAL ARMS TRANSFER RESTRAINTS;
(C) SUPPORT EFFORTS OF MALAYSIA IN PROMOTING REGIONAL STABILITY
THROUGH ASEAN;
(D) ENCOURAGE REGIONAL SECURITU COOPERATION BETWEEN MALAYSIA
AND ITS NON-COMMUNIST NEIGHBORS, RECOGNIZING ITS PREFERENCE TO DO
SO BILATERALLY RATHER THAN MULTILATERALLY VIA ENTITIES SUCH AS
ASEAN; AND
(E) PROMOTE EQUIPMENT COMMONALITY, BOTH INTERNALLY AND
REGIONALLY, WHEN APPROPRIATE.

4. THREAT. THERE IS NO IMMEDIATE EXTERNAL THREAT TO MALAYSIA.

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THE INTERNAL THREAT, WHILE CHARACTERIZED BY THE GOVERNMENT OF
MALAYSIA SPOKESMAN AS "SERIOUS" AND A MATTER OF VERY REAL CON-
CERN, IS NOT AT PRESENT CONSIDERED TO POST A DIRECT DANGER TO
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GOVERNMENT AUTHORITY OR INTERNAL STABILITY. IN PENINSULAR
MALAYSIA THE IMMEDIATE THREAT CONSISTS OF APPROXIMATELY 3,000
ARMED COMMUNIST TERRORISTS DIRECTED BY THE COMMUNIST PARTY OF
MALAYA -- CENTRAL COMMITTEE (CPM-CC) AND TWO SCHISMATIC
FACTIONS, THE CPM-REVOLUTIONARY FACTION (CPM-RF) AND THE CPM-
MARXIST/LENINIST (CPM-JL). IN SARAWAK THE INSURGENCY THREAT
STEMS FROM AN ESTIMATED 150 OR SO ARMED MEMBERS OF THE NORTH
KALIMANTAN COMMUNIST PARTY (NKCP). ALTHOUGH THIS NAGGING
INSURGENCY IN BOTH PENINSURLAR MALAYSIA AND SARAWAK HAS HAD ITS
CYCLIC UPS AND DOWNS AND PRESENTLY IS UNDER CONTROL, THE MALAYSIAN
GOVERNMENT IS CONCERNED THAT EXTERNAL AID TO ARMED COMMUNIST
DISSIDENTS COULD DESTABILIZE THE SITUATION.
IN THE BORADER CONTEXT OF NATIONAL STABILITY, COMMUNAL RELATIONS
ARE THE KEY UNDERLYING INTERNAL THREAT IN MALAYSIA, IN PARTICULAR
THE POLITICAL AND ECONOMIC DISPARITIES BETWEEN THE ETHNIC
MALAYS AND CHINESE. THE MALAYS DOMINATE GOVERNMENT AND
POLITICAL LIFE, WHILE ECONOMIC POWER IS LARGELY IN THE HANDS
OF THE CHINESE. GOVERNMENT EFFORTS TO CORRECT IMBALANCES HAVE
BEEN BOTH THE RESULT AND CAUSE OF DISAFFECTION IN THE MALAY AND
NON-MALAY COMMUNITIES RESPECTIVELY, AND COMMUNISTS HAVE IN TURN
EXPLOITED CHINESE COMMUNAL GRIEVANCES. WHILE COMMUNAL RELATIONS
ARE NOT AT PRESENT AT A CRISIS STAGE, THE INHERENT DELICACY OF
THE SITUATION REQUIRES SKILLFUL AND ENLIGHTENED LEASERSHIP BY
BOTH THE GOVERNMENT AND THE LARGELY COMMUNALLY BASED PARTIES.

5. GOVERNMENT RESPONSE. TO DEAL WITH THE DOMESTIC INSURGENCY,
THE GOVERNMENT IS FOLLOWING A SUCCESSFUL POLICY OF PURSUING
AND DISRUPTING CPM UNDERGOUND AND ARMED TERRORIST (CT) ELEMENTS
BOTH IN MALAYSIA AND IN THEIR SANCTUARIES JUST ACROSS THE BORDER
IN THAILAND. IN CONJUNCTION WITH THIS POLICY, ARMED FORCES,
POLICE, AND RESERVE UNITS ARE BEING EXPANDED AND MODERNIZED AND
THE CIVILIAN POPULATION HAS BEEN MOBILIZED IN A NEIGHBORHOOD
MANDATORY SECURITY PATROL PROGRAM (RUKUN TETANGGA) OR VOLUNTARY
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HOME GUARD UNITS (RELA). CONCURRENTLY THE MALAYSIAN GOVERNMENT
IS UNDERTAKING A MODEST PROGRAM OF UPGRADING CAPABILITIES TO
DEFEND AGAINST THE LESS IMMEDIATE THREAT OF EXTERNAL ATTACKS.

6. MISSION'S PERCEPTION OF THE TREAT. THE MISSION'S PERCEPTION
OF THE THREAT GENERALLY ACCORDS WITH THAT OF THE HOST GOVERNMENT.

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7. TYPE MILITARY ESTABLISHMENT THE HOST COUNTRY BELIEVES SUITED TO MEET THE COUNTRY'S REQUIREMENTS AND THE THREAT. THE MALAYSIAN GOVERNMENT CURRENTLY MAINTAINS AN ARMY OF 54,000 (INCLUDING 2,700 TERRITORIAL RESERVES), AND AIR FORCE OF 6,000 MEN (MANNING, AMONG OTHER UNITS, ONE SQUADRON OF F-5E FIGHTERS, ONE SQUADRON OF C-130 TRANSPORTS, AND FOUR HELIO SQUADRONS-COMPOSITE ALLOUETTE AND SIKORSKY S-61), AND A NAVY OF 5,000 MEN (MANNING MAINLY SMALL PATROL BOATS AND LANDING CRAFT). IT ALSO HAS 50,000 POLICE, OF WHICH 14,800 ARE ORGANIZED INTO THE PARA-MILITARY FIELD FORCE. THE MAIN FOCUS OF THESE UNITS IS INTERNAL SECURITY, PARTICULARLY SUPPRESSION OF THE CPM INSURGENCY. THE GOM PLASN TO INCREASE THE ARMY BY 11,000 MEN AND THE POLICE BY 10,000 MEN OVER THE NEXT TWO TO THREE YEARS. EQUIPMENT ACQUISITIONS PRO-JECTED FROM US SOURCES ARE AIMED PRIMARILY AT MODERNIZATION OF THE MALAYSIAN AIR DEFENSE AND COUNTER INSURGENCY CAPABILITY. IN THIS CONTEXT THE RELATIVELY SMALL GRANT TRAINING PROGRAM (IMET) CONTRIBUTES TO THIS MODERNIZATION PROCESS.

8. ASSESSMENT OF THE FORCE DISCUSSED ABOVE IN RELATION TO US INTERESTS AND ALTERNATIVES. THESE PROJECTED FORCE LEVELS ARE MODEST CONSIDERING THE COUNTRY'S SIZE AND PIPULATION. UNLESS A MAJOR EMERGENCY OCCURS, THE PRESENT GOVERNMENT WOULD STRONGLY RESIST DIVERTING ADDITIONAL MANPOWER FROM ECONOMIC DEVELOPMENT TO THE SECURITY FORCES. GOM SECURITY FORCES ARE EQUIPPED WITH WHAT AMOUNT TO CIRCA 1970 CONVENTIONAL WEAPONRY. THE GOVERNMENT HAS NOT, FOR EXAMPLE, ATTEMPTED TO MATCH NEIGHBORING SINGAPORE'S ATTTACK BOMER OR DEFENSIVE MISSILE STRENGTH. IT IS DIFFICULT, THEREFORE, TO IMAGINE A LESS COSTLY ALTERNATIVE TO THE PRESENT MILITARY ORGANIZATION OR FORCE LEVELS THAT WILL MEET PRESENT NEEDS.

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9. IMPACT OF DEFENSE SPENDING ON THE ECONOMY AS A WHILE. THE TOATL MALAYSIAN BUDGET FOR 1978 IS US$5,190 MILLION, OF WHICH TOTAL SECURITY EXPENDITURES ARE BUDGETED AT US$1,073 MILLION OR 20.)7 PERCENT OF THE TOTAL. THIS INCLUDES AMOUNTS FOR DEFENSE (US$695 MILLION OR 13.4 PERCENT) AND INTERNAL SECURITY (POLICE AND PARAMILITARY POLICE UNITS--US$378 MILLION OR 7.2 PERCENT OF THE BUDGET. IN 1977 MALAYSIAN GNP WAS US$12,539 MILLION, OF WHICH TOTAL SECURITY EXPENDITURES WERE US$781 MILLION OR 6.W PERCENT OF GNP. OF THIS, DEFENSE EXPENDITURES COMPRISED US$510 MILLION OR 4 PERCENT OF GNP AND THOSE FOR INTERNAL SECURITY (POLICE ETC.)

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AMOUNTED TO US$271 MILLION OR 2.2 PERCENT OF GNP. WITH FOREIGN EXCHANGE RESERVES OF US$2,650 MILLION, ENOUGH FOR A SUSTAINED IMPORT COVER OF SEVEN MONTHS, AND DEBT SERVICE RATIO OF 4 PERCENT, WE FORESEE NO FOREIGN EXCHANGE OR DEBT SERVICING PROBLEMS FOR THE MALAYSIAN ECONOMY POSED BY PRESENT AND PROJECTED DEFENSE/INTERNAL SECURITY EXPENDITURES.

10. PROJECTIONS AND ASSESSMENTS OF DEFENSE ARTICLES AND SERVICES ARE INCLUDED IN FY 80-84 MSAP SUBMITTED REF C.

11. ASSESSMENT OF ECONOMIC IMPACT OF PROJECTED DEFENSE ARTICLES AND SERVICES ACQUISITIONS. THE ECONOMIC IMPACT ON MALAYSIA OF THESE PROJECTED EXPENDITURES ARE EXPECTED TO BE NEGLIGIBLE. RECENT EXPERIENCE HAS DEOMONSTRATED THAT THE BUREAUCRACY CANNOT SPEND EXISTING ALLOCATIONS FOR DEVELOPMENT BECAUSE OF CAPACITY LIMITATIONS AND COULD NOT USE FUNDS SPENT ON MILITARY ACTIVITIES IN ANY OTHER MANNER. GIVEN MALAYSIA'S

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PER CAPITA GNP, DEBT SERVICE RATIO, BALANCE OF PAYMENTS SURPLUS, AND FOREIGN EXCHANGE HOLDINGS AND GROWTH PROSPECTS, THE PRIMARY JUSTIFICATION FOR FMS FINANCING TO MALAYSIA IS NOT ECONOMIC BUT, RATHER, THE FACT THAT A MODEST FMS CREDIT RELATIONSHIP SIGNIFICANTLY PROMOTES OUR BILATERAL POLITICAL

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AND SECURITY INTERESTS AND CORRELATES WITH OUR SECURITY ASSIS-
TANCE PROGRAMS WITH MALAYSIA'S ASEAN PARTNERS.

12. THE ARMS CONTROL IMPACT. NONE OF THE WEAPONS CURRENTLY
IN USE OR CONTEMPLATED BY THE MALAYSIAN ARMED FORCES HAS
ANY ARMS CONTROL IMPACT. MALAYSIA IS FRIENDLY WITH ALL OF ITS
IMMEDIATE NEIGHBORS, AND THESE COUNTRIES HAVE COMPARABLE LEVELS
OF WEAPONRY.

13. HUMAN RIGHTS.
(A) BACKGROUND. MALAYSIA'SHUMAN RIGHTS RECORDS IS A GOOD ONE
FOR ASIA. THE COUNTRY HAS JUST GONE THROUGH FREE AND OPEN
GENERAL ELECTIONS WHICH CONFIRMED INOFFICE THE SAME MULTIRACIAL
COALITION WHICH HAS RULED AND BROUGHT PROSPERITY TO THE COUNTRY
SINCE INDEPENDENCE IN 1957. BECAUSE OF THE DELICATE COMMUNAL
SITUATION AND MEMORY OF THE SERIOUS MAY, 1969, RACE RIOTS,
THERE ARE CERTAIN RESTRICTIONS ON FREEDOM OF EXPRESSION, BUT
THESE HAVE BEEN PASSED IN ACCORDANCE WITH CONSTITUTIONAL
PROCESSES BY A FREELY ELECTED GOVERNMENT. THE MOST SERIOUS
HUMAN RIGHTS PROBLEM IS IN THE COUNTRY IS THE OCCASIONAL USE
BY THE GOVERNMENT OF PREVENTIVE DETENTION WITHOUT TRIAL UNDER
THE INTERNAL SECURITY ACT (ISA), APPLIED MAINLY AGAINST
COMMUNIST SUSPECTS. PREVENTIVE DETENTION WAS ONE OF THE TOOLS USED
BY THE BRITISH ADMINISTRATION TO DEFEAT THE INSURGENCY IN
THE 1948-57 PERIOD, AND THE PRESENT GOVERNMENT
CONTINUES THE SELECTIVE USE OF SUCH MEASURES TO KEEP THE
SMOLDERING INSURGENCY UNDER CONTROL. (B) U.S. SECURITY ASSISTANCE
TO MALAYSIA IS DESIGNED TO MEET LEGITIMATE NEEDS OF EXTERNAL
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DEFENSE AND COUNTER-INSURGENCY. WEAPONS OR TRAINING PROCURED
UNDER THE PROGRAM HAVE NOT BEEN USED IN VIOLATION OF THE
HUMAN RIGHTS OF MALAYSIAN CITIZENS AND WE DO NOT FORESEE THAT
THEY WILL BE. SOME EQUIPMENT PURCHASED PREVIOUSLY UNDER FMS
HAS BEEN FOR THE USE OF PARAMILITARY POLICE FORCES (E.
G. M-16'S), BUT THE POLICE IN MALAYSIA ARE WELL-DISCIPLINED
AND ARE NOT CONSIDERED, EVEN BY CRITICS OF THE GOVERNMENT,
AS A SOURCE OF HUMAN RIGHTS VIOLATIONS. INDEED, IT CAN BE
ARUGUED THAT THE KEY ROLE GIVEN THE POLICE IN MALAYSIA'S
COUNTER-TERRORIST OPERATIONS ACCOUNTS LARGELY FOR ITS NOTABLE
RECORD OF SUCCESS AS WELL AS HELPING ASSURE CONTINUED CIVILIAN
DOMINANCE IN NATIONAL SECURITY POLICY. THE MILITARY, ON THEIR
PART, ARE FIRMLY UNDER THE CONTROL OF THE ELECTED CIVILIAN
GOVERNMENT AND EXTREMELY UNLIKELY TO USE USG-SUPPLIED ARMS OR
TRAINING TO INTERFERE IN THE POLITICAL PROCESS.

THE SECURITY ASSISTANCE PROGRAM WITH MALAYSIA CAN BEST
ADVANCE US HUMAN RIGHTS OBJECTIVES BY PROMOTING THE CONTINUED
STABILITY OF THE PRESENT MODERATE GOVERNMENT. THIS STABILITY
CAN BE THREATENED EITHER BY A SERIOUS RESURGENCE OF THE ARMED

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TERRORISTS OF THE COMMUNIST PARTY FACTION, OR BY A FAILURE
OF THE MALAYSIAN ECONOMY WHICH WULD HEIGHTEN ECONOMIC COMPETITION
BETWEEN THE MAJOR COMMUNITIES IN THE SOCIETY AND LEAD TO
INCREAED COMMUNAL TENSION. OUR MODEST FMS AND IMET PROGRAMS
CONTRIBUTE TO THE MILITARY SUPREMACY OF THE MALAYSIAN GOVERNMENT
OVER THE INSURGENTS. THIS IN TURN ALLOWS THE ECONOMY TO KEEP
GROWING AT A PACE WHICH NOT ONLY CONTINUES TO INCREASE ONE
OF THE HIGHEST PER CAPITA INCOMES IN ASIA BUT ALSO PROMOTES
CONTINUED COMMUNAL TOLERANCE.

14. OTHER SOURCES OF ECONOMIC AND MILITARY ASSISTANCE.
MALAYSIA RECEIVES ECONOMIC ASSISTANCE, PRIMARILY IN THE FORM OF
DEVELOPMENT LOANS, FROM A VARIETY OF SOURCES INCLUDING THE
WORLD BANK, ASIAN DEVELOPMENT BANK, AND UNDP, AS WELL AS
FROM JAPAN AND COMMONWEALTH NATIONS; MILITARY ASSISTANCE IS
LARGELY FROM THE COMMONWEALTH (ESP. UK, AUSTRALIA AND NEW
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ZEALAND).
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